



MANAGEMENT LETTER POINTS

Knott County School District
Hindman, Kentucky

In planning and performing our audit of the financial statements of the Knott County School District for the year ended June 30, 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 13, 2015. This letter does not affect our report dated November 13, 2015, on the financial statements of the Knott County School District. The conditions observed are as follows:

CORDIA SCHOOL

No conditions.

KNOTT COUNTY CENTRAL HIGH SCHOOL

1-15

Statement of Condition: Instances of advances for events that involve students being made without proper supporting documentation.

Recommendation for Correction: Make sure that all advances have supporting documentation for all monies spent. The balance in cash shall be receipted in and deposited timely. If the original invoice/receipts are not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal, this must also have the payee's signature.

Management Response to the Recommendation: The School will follow the recommendation of the Auditor and follow the procedures outlined when administering Advances through School Activity Account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

BEAVER CREEK ELEMENTARY

No conditions.

CARR CREEK ELEMENTARY

No conditions.

EMMALENA ELEMENTARY

2-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: Principal had a meeting with all sponsors on 9/23/15, and told them once again that all money from activities or fundraisers must be turned in no later than the next day after the close of the fundraiser.

HINDMAN ELEMENTARY

3-15

Statement of Condition: Purchase Orders are being utilized; however there were several instances of overspending the approved Purchase Order amount.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) for an estimated amount and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered. The invoice should not exceed the Purchase Order amount that was approved.

Management Response to the Recommendation: The person requesting the Purchase Order will complete a purchase order request (F-SA-7) for an estimated amount. The Purchase Order will be approved by the Principal or Assistant Principal. The invoice will not exceed the amount approved. All invoices and purchase orders will be reviewed on a monthly basis by the principal or designee and reported to the District Finance Officer by the 15th of each month. Administration will meet with all activity fund sponsors and the school treasurer to ensure accounting procedures are being followed.

4-15

Statement of Condition: Monies spent on staff and faculty (i.e. gifts, dinners etc.) paid out of the General Fund activity fund account or an account other than faculty/staff revenue generating activity fund account.

Recommendation for Correction: Ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty; this allows

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

Management Response to the Recommendation: Only monies from faculty/staff account will be utilized for faculty gifts, dinners, etc. Administration will ensure that monies generated by staff through authorized access will be utilized for that specific purpose. Administration will review the budget on a monthly basis to ensure that the activity fund is correct, including revenue and expenditures.

5-15

Statement of Condition: Instances of sales tax being paid or reimbursed.

Recommendation for Correction: The School treasurer should review all invoices and reimbursements to insure sales tax is not paid or reimbursed.

Management Response to the Recommendation: The school treasurer and administration or his/her designee will review all invoices and reimbursements to insure tax is not paid or reimbursed. Administration will meet with all sponsors of activity funds accounts to ensure that they are informed of accounting procedures that include Tax Exempt. Review of invoices and reimbursements will be conducted on a monthly basis and reported to the District Finance Officer by the 15th of each Month.

JONES FORK ELEMENTARY

No conditions.

Central Office

6-15

Statement of Condition: During our testing of cash, we noted old outstanding checks on the bank reconciliation.

Recommendation for Correction: We would recommend management review their policies and procedures over bank reconciliations and amend if necessary to ensure all old outstanding checks over six months old either be voided or a new check reissued.

Management Response to the Recommendation: We will consider the auditor's recommendation.

7-15

Statement of Condition: During our testing of capital assets, several of the capital assets for the high school could not be located.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Recommendation for Correction: We would recommend management review their policies and procedures over capital assets and amend if necessary to ensure all capital assets are removed when they are sold, retired, etc.

Management Response to the Recommendation: We will consider the auditor's recommendation.

8-15

Statement of Condition: During our testing of payroll, we noted I-9's were completed and signed but the supporting documentation sections were not completed or copies found. Also for subs, we noted the lack of I-9's and required supporting documentation.

Recommendation for Correction: We would recommend management review their policies and procedures over I-9's and amend if necessary to ensure all active employee files and sub employee files contain an I-9 and the required supporting documentation.

Management Response to the Recommendation: We will consider the auditor's recommendation.

9-15

Statement of Condition: During our testing of payroll, we noted the Food Service Director who has been with the District for a long time is being paid a flat salary and not included on the Salary Schedule.

Recommendation for Correction: We would recommend all employee positions be included on the approved Salary Schedule.

Management Response to the Recommendation: We will follow the auditor's recommendation.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We would like to add that we have seen a tremendous improvement from the previous year throughout all the schools in the area of internal control compliance.

The following are repeat conditions from the prior year: 3-15. All other prior year conditions have been implemented and corrected. Mrs. Kim King, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates PSC

White & Associates, PSC
Richmond, Kentucky
November 13, 2015